

Message Text

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ACTION FBO-01

INFO OCT-01 NEA-05 ISO-00 L-03 /010 W

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R 210730Z APR 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 6787

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DEPARTMENT ALSO FOR NEA/EX

E.O. 11652: N/A

TAGS: ABLD, SA

SUBJECT: EXTENSION OF EMBASSY LEASE

REF: (A) STATE 39217; (B) JIDDA 1745; (C) JIDDA 1227

1. AMBASSADOR DISCUSSED RENEWAL OF CURRENT LEASE AGREEMENT FOR USG PREMISES IN SAUDI ARABIA WITH MINISTER OF STATE OMAR SAQQAF ON APRIL 15. IN PRINCIPLE, SAQQAF FULLY AGREED THAT LEASE SHOULD CONTINUE BEYOND ITS EXPIRY ON DECEMBER 31, 1976.

2. RE EMBASSY COMPOUND, SAQQAF SUGGESTED POSSIBILITY OF EMBASSY PURCHASING LAND AT SOME MINIMAL, CONCESSIONARY RATE PER SQUARE METER. HE FINALLY DECIDED, HOWEVER, AGAINST SUCH AN OPTION BECAUSE IT MIGHT ATTRACT TOO MUCH ATTENTION AND EVEN CRITICISM FROM JIDDA'S MERCANTILE COMMUNITY (SEE PARA 6 BELOW). SAQQAF RECOMMENDED, THEREFORE, THAT EMBASSY SIMPLY EXTEND ITS PRESENT LEASE. AMBASSADOR SUGGESTED IT WOULD BE APPROPRIATE TO EXTEND LEASE FOR 99 YEARS; SAQQAF REPLIED THAT TO HIM THIS SEEMED AWFULLY LONG. HIS REACTION WAS SIMILAR TO AMBASSADOR'S NEXT SUGGESTION OF A 50-YEAR EXTENSION. SAQQAF FINALLY SUGGESTED THAT EXTENSION SHOULD BE FOR 25 YEARS (LENGTH OF OUR ORIGINAL LEASE) AGREEMENT AND AMBASSADOR ADDED THIS WOULD BE ACCEPTABLE PROVIDED IT INCLUDED FIRM OPTION FOR FURTHER RENEWAL.

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3. EMBASSY PROPOSES THAT THIS UNDERSTANDING (THAT WOULD

ALSO COVER CONGEN DHAHRAN) BE INCORPORATED IN A FIRST-
PERSON NOTE FROM AMBASSADOR TO SAQQAF AND THAT LETTER WOULD
STATE THAT IT, TOGETHER WITH MINISTER OF STATE'S ACKNOWLEDG-
MENT, SHOULD CONSTITUTE AN EXTENSION OF ORIGINAL 25-YEAR
LEASE. EMBASSY BELIEVES THAT THIS MANNER OF EFFECTING LEASE
EXTENSION ADVISABLE BECAUSE OF CLARITY, PRECISION, AND SPEED.

4. A DRAFT OF SUCH A NOTE FOLLOWS FOR DEPT'S CONSIDERATION:

"I REFER TO OUR CONVERSATION ON MONDAY EVENING, APRIL 15,
DURING WHICH WE DISCUSSED THE RENEWAL OF THE LEASE ENTERED
INTO ON OCTOBER 20, 1947 BY REPRESENTATIVES OF THE GOVERN-
MENTS OF THE KINGDOM OF SAUDI ARABIA AND THE UNITED STATES
OF AMERICA. THE LEASE IS DUE TO EXPIRE ON DECEMBER 31, 1976.
IT WAS AGREED THAT THE LEASE SHOULD CONTINUE UNDER THE
SAME TERMS AND CONDITIONS AS SET FORTH IN THE AGREEMENT OF
OCTOBER 20, 1947. ARTICLE 8 OF THE AGREEMENT, HOWEVER, STATES
THE MISSION "WILL UPON THE TERMINATION OF THE TWENTY-FIVE
YEAR PERIOD HAVE THE FIRST PREFERENCE TO RENEW THE LEASE ON THE
SAID BUILDINGS AND LAND AND RENT WITH ANNUAL RENTAL OF
NOT MORE THAN 2 PERCENT OF THE ORIGINAL CONSTRUCTION COSTS
AND FOR SUCH PERIOD AS THE UNITED STATES GOVERNMENT SHALL
REQUIRE". THIS SUM IS IN THE VICINITY OF \$40,000 PER ANNUM.
ARTICLE 7 STATES MOREOVER THAT "DURING ANY SUBSEQUENT
PERIOD OF OCCUPANCY IN WHICH RENTAL IS PAID PURSUANT TO
ARTICLE 8...THE MAINTENANCE SHALL BE A PART OF THE RENTAL
CONSIDERATION". PRESENT MAINTENANCE COSTS ARE APPROXIMATELY
\$200,000 PER ANNUM.

IN AS MUCH AS THE MAINTENANCE COSTS THAT WOULD BE
BORNE BY THE GOVERNMENT OF SAUDI ARABIA EXCEED THE ESTI-
MATED COSTS OF RENT, IT WAS UNDERSTOOD THE PROPERTIES
WOULD BE HELD BY THE UNITED STATES GOVERNMENT WITHOUT PAYMENT
OF RENT; AT THE SAME TIME THE UNITED STATES GOVERNMENT AGREED
TO ASSUME RESPONSIBILITY FOR ALL MAINTENANCE COSTS OF
THE COMPOUND.

IT WAS FURTHER AGREED THAT THE NEW PERIOD OF THE NEW LEASE
WOULD BE FOR TWENTY-FIVE YEARS COMMENCING JANUARY 1, 1977
AND EXPIRING ON DECEMBER 31, 2001. THE LEASE MAY BE RENEWED
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UNDER THESE SAME TERMS AND CONDITIONS PROVIDED THAT THE
UNITED STATES GOVERNMENT ADVISES THE KINGDOM OF SAUDI ARABIA
IN WRITING OF ITS INTENTION TO RENEW AT LEAST SIX MONTHS
PRIOR TO THE DATE THAT THE AGREEMENT WOULD NORMALLY
TERMINATE.

FINALLY, IT WAS AGREED THAT THIS LETTER AND YOUR ACKNOW-
LEDGMENT WILL CONSITUTE A RENEWAL OF THE LEASE BETWEEN THE

KINGDOM OF SAUDI ARABIA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA."

5. EMBASSY WOULD APPRECIATE ANY COMMENTS ON FOREGOING DRAFT, ESPECIALLY WITH REGARD TO WORDING OF PENULTIMATE PARAGRAPH THAT MAKES CERTAIN EMBASSY WILL HAVE THE UNQUESTIONABLE RIGHT TO RENEW LEASE WHEN A SECOND EXTENSION NEEDS TO BE NEGOTIATED.

6. COMMENT: EMBASSY IS PLEASED THAT WAY APPEARS CLEAR FOR OUR CONTINUED OCCUPANCY OF COMPOUND (AND IMPLEMENTATION OF COMPOUND IMPROVEMENTS PER REFS B AND C). PRIOR TO AMB'S MEETING WITH SAQQAF, EMBOFFS HAD RECEIVED NUMEROUS INDICATIONS THAT JIDDA'S BUSINESS COMMUNITY WAS INTENSIVELY CONSIDERING THE PROFITS TO BE MADE FROM THE SALE OR DEVELOPMENT OF OUR CHOICE LOCATION. (THE PRESENT VALUE OF THE LAND, EXCLUSIVE OF BUILDINGS, IS AROUND \$30 MILLION.) WE ARE RELIABLY INFORMED, MOREOVER, SAUDI GOVERNMENT HAD CONSIDERED USING COMPOUND AS AN INTERNATIONAL CONFERENCE SITE. IT SEEMS LIKELY THAT IMPROVED SAUDI-US RELATIONS--SIGNALIZED IN PARTICULAR BY THE ANNOUNCEMENT OF A BILATERAL SAG-USG RELATIONSHIP ON APRIL 5--HELPED TO DISPEL ANY ALTERNATE USE OF OUR PREMISES FROM SAG'S SERIOUS CONSIDERATION.
AKINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA02062
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740093-0372
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740426/aaaaaxak.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION FBO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE 39217; (B) JIDDA 1745; (C)
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 23 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 AUG 2002 by WorrelSW>; APPROVED <12-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXTENSION OF EMBASSY LEASE
TAGS: ABLD, SA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005